



CASE STUDY 11: URUGUAY – WIND ENERGY PROGRAMME

Barriers	Lack of financial support
Instrument	Resource assessments
Application	n/a
Amount	Total project costs of US\$7.01 million, with US\$1 million fund from GEF for barrier removals

PROJECT BACKGROUND AND OBJECTIVES

With no natural resources, the Government of Uruguay is concerned about the country's dependence on imported fossil fuels. As a consequence, it is seeking to increase the share of domestic resources, of which the most feasible are biomass and wind energy, as well as employing end-use energy efficiency measures to increase its energy security. In addition, the government aims to use the intended growth of the domestic energy sector to foster its other objectives of increasing economic growth and creating employment.

Previous studies had revealed between 400 and 600 MW of wind potential in hilly regions with good potential in the middle of the country. Despite this potential, until the inception of this project there had been little or no action towards developing renewable energy sources; there was no appropriate legal and regulatory framework, no incentives for generation and only sparse experience of private sector participation and PPAs.

The aim of this project was to remove the barriers to commercial introduction of large-scale grid-connected renewable energy technologies, which includes:

- lack of regulation and clear procedures for installing, connecting and operating wind-based electricity generating capacity;
- no financial support for wind energy given the low price for selling power to the public grid;

- lack of reliable information with respect to promising regions and sites for wind-energy and secondly to spatial planning and environmental issues; and
- lack of available human and institutional capacity for opening up a market for wind energy in Uruguay.

The lack of financial support is a major barrier to developing wind resources as the average grid price of electricity is low, driven primarily by the large share of hydro power within the overall power mix.

The lack of institutional capacity coupled with the lack of appropriate regulation can drive up costs of developing a wind project. For example spatial planning and licensing, environmental protection and public acceptance all require involvement of local government which were ill-equipped to deal with these issues, thus driving up costs and delays.

INSTRUMENTS USED

The overall budget of the project is US\$7.01 million, with USD 5.075 million committed for investment in the planned first 5 MW wind farm, and a GEF contribution for barrier removal activities of US\$1 million. The project took the form of a resource assessment which tackled each of the barriers identified, however it did not directly provide financial support or introduce directly any commercial wind developers.

INSTITUTIONAL ARRANGEMENTS

The UWEP Medium-size Project will be executed through the modality of National Execution (NEX), which

implies that a governmental entity is responsible for the Project's execution. This modality contributes to enhancing the technical and managerial skills at the level of the project executing entity and assists in strengthening its general profile with a sense of leadership and promotion. This will improve project sustainability and help create the conditions for further replication.

UNDP is responsible for the GEF Council as the GEF Implementing Agency in charge of the financial administration and for providing support for obtaining the envisaged project outcomes. The MIEM will serve as the overall Executing Agency for the UWEP initiative. It will be responsible for the overall programme development and for the day-to-day implementation.

OUTCOMES

The intended outcomes of the project are described below.

1. Produce policy framework has been created, including regulations for grid access and dispatch, construction and operation of wind farms, technical

codes, and financial incentives for wind-generated electricity.

2. Produce information to enable the preparation of wind energy projects and promotion among stakeholders and the public.

3. Develop business skills among appropriate groups to enable efficient preparation and implementation of projects within both the public and private sectors.

4. Implement a 5MW wind farm connected to the grid by supplying equipment and financing the preparation costs, the installation costs being born by the Government of Uruguay.

Further reading

GEF, Uruguay Wind Energy Programme – click [here](#)